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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) of THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended MARCH 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-3624

SUNWEST FINANCIAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

New Mexico	85-0204075
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

303 ROMA AVENUE N.W., ALBUQUERQUE, NEW MEXICO	87102
(Address of principal executive offices)	(Zip Code)

505/765-2403
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 1992
Common Stock	9,511,517

(THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933)

SUNWEST FINANCIAL SERVICES, INC.

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SUNWEST FINANCIAL SERVICES, INC.
Consolidated Balance Sheet (Unaudited)

(In thousands) ASSETS	March 31, 1992	December 31, 1991
Cash and due from banks, noninterest bearing	$161,402	151,915
Federal funds sold	255,000	305,200
Investment securities (market value of approximately $1,200,595 in 1992 and $1,204,626 in 1991)	1,180,553	1,169,709
Loans	1,640,816	1,636,347
Less: Unearned interest	(30,274)	(29,571)
Allowance for loan losses	(50,705)	(49,038)
Net loans	1,559,837	1,557,738
Premises and equipment, net	93,247	93,896
Accrued interest receivable	35,853	35,354
Foreclosed property, net	50,640	52,026
Goodwill, net	9,320	9,489
Other assets	29,160	30,314
Total assets	$3,375,012	3,405,641
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest bearing deposits	$412,311	426,962
Interest bearing checking deposits	495,954	471,272
Money market deposit accounts	476,560	453,432
Other savings deposits	253,678	225,296
Time deposits under $100,000	983,546	1,015,892
Time deposits over $100,000	305,709	331,291
Total deposits	2,927,758	2,924,145
Federal funds purchased and securities sold under agreements to repurchase	148,434	168,726
Other short-term borrowings	13,551	29,984
Long-term borrowings	35,000	35,000
Other liabilities	27,508	29,387
Total liabilities	3,152,251	3,187,242
Stockholders' equity:		
Common stock, no par value - authorized 20,000,000 shares; issued 9,511,517 shares in 1992 and 9,504,723 in 1991	118,896	118,754
Retained earnings	103,865	99,645
Total stockholders' equity	222,761	218,399
Total liabilities and stockholders' equity	$3,375,012	3,405,641

Consolidated Statement of Operations (Unaudited)

(dollars in thousands)	Quarter Ended March 31 1992	1991
Interest income:		
Interest and fees on loans	$42,844	46,769
Interest on investment securities:		
Taxable	19,147	17,797
Tax-exempt	2,236	2,720
Interest on federal funds sold	2,468	4,656
Total interest income	66,695	71,942
Interest expense:		
Interest on deposits	30,290	38,300
Interest on federal funds purchased and other short-term borrowings	1,612	3,064
Interest on long-term borrowings	864	874
Total interest expense	32,766	42,238
Net interest income	33,929	29,704
Provision for loan losses	6,075	5,492
Net interest income after provision for loan losses	27,854	24,212
Noninterest income:		
Service charges on deposit accounts	4,882	4,394
Trust department income	1,783	1,719
Debit card income	636	789
Other income	2,313	2,341
Total noninterest income	9,614	9,243
Noninterest expenses:		
Salaries and employee benefits	15,458	14,480
Net occupancy expense	1,925	1,689
Equipment expense	2,402	2,355
Stationery, printing and other supplies	1,141	1,153
Postage	764	600
Telephone	534	593
Advertising	580	663
FDIC insurance	1,639	1,336
Foreclosed property loss provision and expense	1,750	3,584
Other expenses	5,184	4,641
Total noninterest expenses	31,377	31,094
Earnings before income taxes	6,091	2,361
Income tax expense	1,871	558
Net earnings	$4,220	1,803
Weighted average shares outstanding	9,506,141	9,454,356
Earnings per common share based on weighted average shares outstanding:	$0.44	0.19
Dividends per common share	–	–

SUNWEST FINANCIAL SERVICES, INC
Consolidated Statement of Cash Flows (Unaudited)

(in thousands)	Quarter ended March 31	
	1992	1991
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Interest Received	$66,101	70,517
Other operating cash receipts	9,614	9,243
Interest paid	(34,806)	(43,489)
Cash payments for salaries and employee benefits	(15,221)	(14,480)
Other operating cash payments	(14,779)	(11,838)
Income tax payments	(671)	(800)
Net cash provided by operating activities	10,238	9,153
Cash flows from investing activities:		
Maturities of investment securities	135,879	113,505
Purchases of investment securities	(146,628)	(106,417)
Net (increase) decrease in loans	(9,406)	5,061
Expenditures for premises and equipment	(1,505)	(1,080)
Proceeds from sales of other real estate owned	1,506	4,235
Other, net	2,173	(6,230)
Net cash applied to investing activities	(17,981)	9,074
Cash flows from financing activities:		
Net increase in deposit accounts	3,613	12,940
Net decrease in federal funds purchased and securities sold under agreements to repurchase	(20,297)	(12,578)
Net increase (decrease) in other short-term borrowings	(16,433)	2,679
Repayment of long-term borrowings	–	(19)
Proceeds from the issuance of common stock	142	75
Dividends paid	–	(1,134)
Net cash provided by (applied to) financing activities	(32,970)	1,963
Net increase (decrease) in cash and cash equivalents	(40,713)	20,190
Cash and cash equivalents at beginning of year	457,115	424,609
Cash and cash equivalents at end of period	$416,402	444,799
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	$4,220	1,803
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	2,323	2,100
Provision for loan losses	6,075	5,492
Provision for deferred taxes	950	(368)
Discount accretion on investment securities	(95)	(235)
Writedowns and loss on the sale of other real estate owned	1,112	2,912
Change in taxes payable	250	126
Change in prepaid expenses and interest receivable	(2,321)	(2,800)
Change in accrued expenses and interest payable	(2,276)	123
Total adjustments	6,018	7,350
Net cash provided by operating activities	$10,238	9,153

SUPPLEMENTAL INFORMATION:
Noncash financing and investing transactions – For the three months ended March 31, 1992 and 1991, Sunwest acquired $1,569 and $35,056 respectively, of foreclosed real estate and insubstance foreclosures.

Sunwest Financial Services, Inc.
Note to Consolidated Financial Statements

1. Presentation of Interim Consolidated Financial Statements

The accompanying unaudited consolidated financial statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission and reflect, in the opinion of management, all adjustments necessary for a fair presentation of the results of the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals have been condensed or omitted pursuant to such rules and regulations. It is suggested that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and footnote disclosures included in the Company's 1991 Annual Report and Form 10-K.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW OF EARNINGS AND FINANCIAL CONDITION

The Company's earnings in the first quarter of 1992 improved from the corresponding period of 1991. Net income for the first quarter of 1992 was $4.2 million, an increase of 134.1% over the $1.8 million earned in the same quarter of 1991. Based on average outstanding common shares, earnings were $0.44 per share, up 132.8% from $0.19 last year. Profitability measures reflected the higher level of earnings in 1992. The annualized return on average equity for the first quarter of 1992 increased to 7.65% from 3.54% in 1991 while the return on average assets improved from .22% a year ago to .50% this year.

The major elements contributing to the increase in first quarter 1992 earnings were a 47 basis point expansion in the net interest margin and a 4% rise in noninterest income. In addition, noninterest expenses were up less than 1% from a year ago due principally to a decline in foreclosed property expenses. These positives were partially offset by an increase in the provision for loan losses which totaled $6.1 million in the first quarter 1992 compared to $5.5 million a year earlier. Although high credit quality costs and elevated levels of nonperforming assets continued to challenge earnings, first quarter results reflected improved asset quality trends. Compared to a year ago, total nonperforming assets (nonaccrual loans, restructured loans and foreclosed properties) were down almost 4%.

On an overall basis, management expects credit quality and related expenses to remain on a generally improving trend with the rate of decline largely dependent on the prevailing economic environment and the commercial real estate market. This assessment is based on, among other things, the Company's recent credit quality experience and published economic statistics and projections. However, even under present conditions credit related expenses should decline measurably from 1991 levels with further, less dramatic, decreases occurring in 1993. The commercial real estate market is predicted to remain weak due to the oversupply and the length of time required for the economy to absorb these properties. While management anticipates an improvement in nonperforming assets and associated costs, the projected levels will still constrain earnings growth. Due to the high volume of nonperforming assets and below average earnings, the payment of quarterly dividends, which was halted in March of 1991, will continue to be suspended for the forseeable future. This will allow the Company to continue to focus on reducing the level of problem assets while preserving a stable capital position.

At March 31,1992, total assets were $3.4 billion compared to $3.3 billion at the same date last year. Deposits totaled $2.9

billion versus $2.8 billion a year ago while loans at $1.6 billion were unchanged. Total shareholder's equity at the end of the current quarter was $222.8 million, an increase of $15.9 million or 7.6% from March 31, 1991.

On March 5, 1992, Sunwest signed a merger agreement with Boatmen's Bancshares, Inc. Under the terms of the agreement, Boatmen's will issue 0.7722 shares of its common stock for each share of Sunwest's outstanding shares. The acquisition, which is expected to be completed in the Fall of 1992, is subject to approvals by Sunwest shareholders and regulatory agencies.

The following discussion presents a more detailed analysis of the Company's performance during the first quarter of 1992 with additional financial information furnished on pages 17 and 18 of this report.

NET INTEREST INCOME

Net interest income, the difference between the interest earned on loans and other earning assets and the interest costs of interest bearing liabilities, continues to be largest contributor to the Company's earnings. First quarter 1992 net interest income, on a fully taxable equivalent basis, increased $3.9 million, or 12.6%, compared to the corresponding period in 1991. Growth in earning assets combined with an expansion of net interest margin were the principal contributors to the advance. Influenced by a lower interest rate environment, earning asset yields and rates paid on interest bearing liabilities were below those of last year. The decline in the cost of interest bearing liabilities, however, outpaced the drop in the yield on earning assets and resulted in the net interest margin increasing 46 basis points to 4.60% from 4.14%. In addition, this improvement occurred despite a reduction in prime rate and continued high levels of nonperforming assets.

EARNING ASSETS

Average earning assets during the first quarter of 1992 increased a modest 1.9% to $3.05 billion from $2.99 billion in the comparable 1991 quarter. The increase in these assets was supported principally from higher levels of core deposits. Reflecting the lower rate environment, a change in the mix of earning assets and the maturity of some high yield securities, the average yield on earning assets for the initial quarter of 1992 declined to 8.92%, 93 basis points below that of a year ago.

Average loans during the first quarter of 1992 decreased 5.1% to $1.60 billion from $1.68 billion in the corresponding 1991 period. Approximately 41% of the decline was attributable to a reduced volume of term federal funds. The balance of the decline reflected overall soft loan demand, charge-offs and transfers to foreclosed properties. Excluding term federal funds transactions, average loans for the 1992 quarter were down 3.1%

from last year. During the 1992 quarter, average loans (net of term federal funds sold) represented 52.1% of average earning assets, contrasted to 54.8% a year earlier. Compared to a year ago, credit card loans and other consumer loans were the only loan categories exhibiting any growth. These loans increased a combined 3.4% which was offset by a 2.1% drop in real estate related loans and, excluding term federal funds, a 1.3% decline in commercial loans. The Company continued its conservative posture regarding commercial real estate credits as the weak market provides limited sound lending opportunities. This factor in conjunction with charge-offs and transfers to foreclosed properties produced the decrease in real estate loans. The decline in commercial loans was primarily due to sluggish demand and borrowers' reluctance to increase leverage. Reflecting a lower interest rate environment and high levels of nonaccruing loans, the average yield on loans for the current year's quarter fell 49 basis points to 10.82% from 11.30% in the corresponding 1991 period.

As growth in deposits outpaced loan growth during the first quarter of 1992, securities were the primary alternative utilized for the deployment of excess funding. Consequently, total average investment securities during the first quarter of 1992 rose 18.8% to $1.20 billion from $1.01 billion last year. As a percentage of total average assets, investment securities were 39.5% during the 1992 opening quarter up from 33.9% a year ago. In the near term, it is anticipated that the securities portfolio will continue to become a larger component of earning assets due to weak loan demand and the Company's conservative underwriting standards. Although adding to liquidity, the lower yield, when compared to loans, will restrict expansion in the Company's net interest margin. On a fully taxable equivalent basis, the yield on the total securities portfolio during the first quarter of 1992 was 7.45%, 105 basis points less than 1991. The decline in yield resulted from the investment of excess funding in lower yielding securities, generally lower interest rates and the impact of maturing high yield securities.

Increased holdings of taxable securities accounted for all of the advance in the securities portfolio over last year. The average balance of these securities increased 24.7% from 1991 to $1.09 billion. During the same period, tax exempt securities declined 16.4% to $113 million, reflecting the impact of tax law changes enacted in 1986 that reduced the benefit to banks of investing in tax exempt instruments by lowering their taxable equivalent yields. For the 1992 quarter, the average yield on taxable securities was 6.99% which represented a 96 basis point drop from 1991. The yield on tax exempts was also down from last year, falling 18 basis points to 11.90% from 12.08%. Average taxable securities comprised 90.7% of total average securities during the 1992 quarter up from 86.8% a year earlier while tax exempts declined to 9.3% from 13.2%.

Reflecting growth in investment securities and a reduction in short-term purchased funds, the average level of federal funds sold declined from year ago levels. The average yield on these

assets was also down from last year, the result of a lower interest rate environment. Average federal funds sold in the first quarter of 1992 decreased $46.3 million, 15.6%, from the corresponding period last year and the yield slipped to 3.93% from 6.26%.

SOURCES OF FUNDS

The Company's principal funding sources are interest bearing liabilities. These liabilities include interest bearing deposits, federal funds purchased, securities sold under repurchase agreements, other short-term borrowings and long-term debt. During the first quarter of 1992, interest bearing liabilities at an average of $2.72 billion were up a modest 1.1% from first quarter 1991 and represented 89% of average earning assets, essentially the same as last year. In response to the lower rate environment, the overall cost of these funds declined to 4.85%, 151 basis points below the year ago rate of 6.36%.

The major portion of interest bearing liabilities consist of interest bearing deposits. Average interest bearing deposits for the current quarter of 1992, increased to $2.51 million, $65 million, or 2.7%, above the 1991 first quarter average. During the first three months of 1992, these deposits comprised 92% of total interest bearing funding sources only slightly higher than last year's 91%. Although overall deposit growth was slow, core deposits continued to expand. This was largely in response to the ongoing marketing efforts of the Company which focus on increasing this stable source of funds. However, low interest rates led customers to seek alternative investments and to increase liquidity in anticipation of rising interest rates. This trend was reflected in the change in the mix of the Company's core deposit base. Strong growth occurred in regular savings, NOW accounts, money market deposits and other consumer time deposits while small denomination certificates of deposits decreased. Furthermore, slow loan growth and adequate funding from other sources reduced the need for more expensive sources of funding and resulted in a decline in certificates of deposit over $100,000. In the first quarter of 1992, the average balance of regular savings accounts grew to $240 million, a 36.1% rise over the same quarter of 1991. During the same period, NOW accounts rose to an average of $484 million, 15.7% more than last year, money market deposit accounts averaged $466 million, a 9.7% increase from the corresponding 1991 quarter and other consumer time deposits increased 6.1% to $216 million. Noninterest bearing demand deposit accounts were also above year ago amounts, increasing 8.4% to $399 million. In contrast to these advances, the average balance of small denomination certificates of deposit was down 2.3% to $785 million with certificates of deposits over $100,000 falling 23.7% to an average of $317 million. For the current quarter, the average rate paid for interest bearing deposits at 4.86% was 150 basis points lower than the year ago rate.

The Company utilizes short-term borrowings primarily to

manage its interest rate sensitivity and liquidity positions with the majority of these funds being invested in short-term money market assets. A significant portion of these borrowings consist of securities sold under agreement to repurchase which provide the Company an additional short-term funding source and at the same time afford customers an additional short-term investment option. During the last 12 months, deposit growth and soft loan demand have reduced the Company's need for other funding sources. As a result, average short-term borrowings for the first quarter of 1992 declined $37 million, or 17.4%, from 1991. The average rate was also down from last year, decreasing 212 basis points to 3.72% from 5.84%.

ASSET QUALITY

During the first quarter of 1992, the Company's provision for loan losses, allowance for loan losses and overall credit quality continued to reflect the impact of a down economy and the weak commercial real estate market. As mentioned earlier, however, asset quality and related expenses have exhibited positive trends in recent periods. Management expects the headway to continue with the magnitude of progress being principally influenced by the above factors.

An intrinsic element of the lending and credit commitment process is the risk of loss. In recognition of this risk, Sunwest maintains an allowance for loan losses as a reserve to cover estimated losses associated with loan and credit commitments. Management, on an ongoing basis, evaluates the potential loss exposure related to the loan portfolio and credit commitments and through this analysis, the adequacy of the allowance for loan losses and the corresponding provision required to maintain it at an appropriate level are determined. The assessment includes a review of the following factors: past due and other problems loans, current and forecasted economic conditions, portfolio mix, collateral values, financial condition of borrowers, loan growth, average life of the portfolio and historical loss experience. Based on current evaluations, management considers the allowance for loan losses at March 31, 1992, appropriate and adequate to provide for future losses inherent within the current loan portfolio and credit commitments. However, subsequent reviews of the loan portfolio and credit commitments, as well as changes in economic and real estate market conditions, could require significant adjustments in the level of the allowance.

Nonperforming assets are comprised of loans past due 90 days or more and still accruing, nonaccrual loans, restructured loans and foreclosed properties. In addition to properties acquired through foreclosure, foreclosed properties also include insubstance foreclosures. Loans are classified as insubstance foreclosures when the Company essentially controls the loan collateral due to the borrowers having little or no equity ownership in such collateral and economic prospects do not indicate that the debtor will be able to increase equity or

otherwise service the associated debt. Furthermore, repayment of the loan is expected to only be accomplished by the operation or sale of the collateral. Foreclosed properties are carried at the lower of the Company's recorded investment in the related loan or at the fair value of the property. Fair value of such assets is based on independent appraisals using standard appraisal techniques as required under banking regulatory guidelines. In certain cases, parcels of properties represent projects that involve the development of commercial office buildings, residential developments or recreational properties such as golf courses, etc. These properties require varying time periods for completion of the construction and selling phases of the developments to realize maximum economic value. The workout or absorption rates utilized in evaluating these properties may range from 5 to 12 years. The extended workout periods are considered within the appraisals and these appraisals fully conform to the Uniform Standards of Professional Appraisal Practice and the regulatory requirements as mandated by Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). As such, the appraisals address all of the 3 standard approaches to value: the cost, the comparable sales and the income approaches. In some cases, Sunwest establishes a carrying value of less than 100% of current fair value in order to accelerate its foreclosed property disposition efforts.

The overall level of nonperforming assets at March 31, 1992 declined to $115.3 million from $118.1 million at year end 1991 and $121.1 million a year ago. The current quarter end total equaled 6.94% of total loans and foreclosed properties, compared to 7.12% and 7.10% at December 31, 1991 and March 31, 1992, respectively. At the end of the current quarter, loans past due 90 days or more totaled $5.2 million, nonaccrual loans measured $58.4 million, restructured loans were $1.1 million and foreclosed properties amounted to $50.6 million. Nonperforming assets at December 31, 1991, consisted of loans past due 90 days or more of $6.1 million, nonaccrual loans were $57.5 million, restructured loans amounted to $1.1 million and foreclosed properties equaled $53.4 million. The March 31, 1991, total included loans past due 90 days or more of $6.6 million, nonaccrual loans of $37.9 million, restructured loans of $1.8 million and foreclosed properties of $74.8 million. The increase in the balance of nonaccrual loans over the year ago total was due primarily to the addition of a $17 million credit during the second quarter of 1991 with the decline in the level of foreclosed properties reflecting sales and writedowns.

The Company's provision for loan losses during the first quarter of 1992 was primarily influenced by the real estate market. Although the market showed signs of stabilization, inventories of properties remained excessive, prolonging the absorption period necessary to dispose of these properties. As a result, cash flows for some real estate related borrowers continued to be strained, limiting debt servicing capacities and restricting the recovery of real estate collateral values. In the first quarter of 1992, the provision for loan losses was $6.1 million, an increase of 10.6% over the same period last year.

Through the end of the current quarter, net charge-offs amounted to $4.4 million, equal to 1.10% (annualized) of loans. This compares to net charge-offs last year of $9.3 million, or 2.22% of loans. At March 31, 1992, the allowance for loan losses totaled $50.7 million, or 3.15% of total loans. This compares to $49 million, or 3.05% of total loans, at year end 1991 and $45.1 million, 2.76% of total loans, at the close first quarter 1991. The allowance provided coverage for 86.8% of nonaccrual loans at the end of the current quarter compared to 85.2% and 118.8% on December 31, 1991 and March 31, 1991, respectively.

NONINTEREST INCOME

Noninterest income for first quarter 1992 was $9.6 million, an increase of $371 thousand, or 4%, from first quarter 1991. The advance was led by an increase of $488 thousand, 11.1%, in service charges on deposit accounts while income derived from trust services increased 3.7%. These gains were principally due to corporate growth. Debit card income was down $153 thousand, or 19.4%, from last year. This decline reflected a price restructuring relating to services provided to a number of local credit unions. The balance of income derived from noninterest sources was relatively unchanged from last year.

NONINTEREST EXPENSE

Reflecting an $1.8 million decrease in the provision for foreclosed properties and related expenses, total noninterest expense was virtually flat when compared to last year. However, excluding these expenses, noninterest expense was up $2.1 million, or 7.7%, over 1991. Personnel expense, the largest item of noninterest expense, rose 6.8% from first quarter 1991. The increase was the result of normal salary adjustments and staff additions necessitated by corporate growth and the need to increase the staffing in the areas associated with asset quality. Occupancy and equipment expenses were also up from last year reflecting the Company's ongoing efforts to better serve its customers through up-to-date and efficient equipment and facilities. For the quarter, these expenses were $4.3 million which was 7% higher than the year ago amount. Postage expense increased 27.3% over last year due, primarily, to a rate increase in the second quarter of 1991. Increases in deposits coupled with a higher assessment rate resulted in a 22.7% rise in FDIC insurance. The balance of first quarter 1992 noninterest expenses advanced 5.5% from 1991 due, largely, to business growth.

INCOME TAXES

The Company's provision for income taxes rose to $1.9 million in the opening quarter of 1992 from $558 thousand in 1991, representing an increase in the effective tax rate to 30.7% from 23.6%. The current quarter's tax expense included deferred

tax expense of $957 thousand contrasted to a deferred tax benefit of $368 thousand last year. This change was due primarily to lower tax rates applicable to carry-back years associated with the computation of the Company's deferred tax position under SFAS No. 96.

CAPITAL ADEQUACY

The Company's capital position is subject to ongoing reviews by management to ensure that adequate levels are maintained to support asset growth, absorb potential losses and to comply with regulatory guidelines. Both the evaluation of capital adequacy and the capital planning process consider current and future needs. In recent years, regulators have placed an increased empha;is on capital adequacy resulting in new assessment guidelines which take into account off-balance sheet risk exposure and also include a leverage ratio. The guidelines are being phased in over a two year period which began December 31, 1990 and are to be fully implemented by year end 1992. Under the guidelines, by year end 1992 financial institutions must have minimum total capital of 8% of risk-weighted assets (including certain off-balance-sheet items such as standby letters of credit and firm loan commitments) with an interim requirement of 7.25%. At least half of the total capital must be comprised of Tier 1 capital (common equity, retained earnings and qualifying perpetual preferred stock reduced by unidentified intangibles such as goodwill). The balance, Tier 2 capital, may consist of a limited amount of subordinated debt, certain types of preferred stock and a portion of the allowance for loan losses. Regarding the leverage ratio, beginning December 31, 1991, bank holding companies must maintain a minimum leverage ratio of Tier 1 capital, using the 1992 definition, to total adjusted assets of 3%. This minimum applies only to the most highly rated banks that are not experiencing or anticipating significant growth. All other rated banks are expected to have minimum ratio of at least 4% to 5%.

Traditionally, the Company has met most of its capital requirements through the retention of earnings supplemented by common stock issued through the employee stock purchase plan and the dividend reinvestment plan. However, due to subpar earnings over the last few years, internally generated capital has not been at levels sufficient enough to allow the Company to properly address asset quality and at the same time preserve a strong capital structure. This resulted in a modification in funding strategies led by the decision of the Board of Directors, in the third quarter of 1990, to reduce per share dividend payments from $0.28 to $0.12, and then, on March 8, 1991, to suspend dividends payments for an indefinite period of time. This has permitted the Company to aggressively address asset quality problems while maintaining a stable capital position without any additional funding from outside sources. Management does not foresee the restoration of dividend payments until an improved level of sustained earnings is achieved and nonperforming asset levels are substantially reduced.

Management currently uses the risk-based capital and leverage ratios established by regulatory agencies to measure its capital adequacy. At March 31, 1992, these ratios were significantly above the requirements under the guidelines effective December 31, 1992. The Company's risk based capital ratio at the end of March was 13.01% and the leverage ratio was 6.34%.

ASSET/LIABILITY MANAGEMENT

The Company uses various asset and liability sources to effectively meet cash flow requirements. Major sources of asset liquidity for the Company's subsidiary banks consist of: cash flows from loan repayments, maturities of short term money market investments and maturities of securities. Liability sources of liquidity primarily include: a stable core deposit base, large dollar bid deposits, the purchase of federal funds, the sale of securities under agreements to repurchase and borrowings from the Federal Reserve Bank. Principal sources of liquidity for the Parent Company funding are: equity capital, long and short-term debt and dividends from subsidiaries. However, as disclosed below in SUPERVISORY ACTIONS, future dividends available from subsidiaries could be restricted. The Company's liquidity needs are currently being met without regard to the limitations imposed by these restrictions.

The Company's interest sensitivity position is regularly monitored and adjusted by the Funds Management Committee to control and reduce the negative impact that changes in interest rates may have on earnings. At March 31, 1992, the Company's ratio of interest sensitive assets to interest sensitive liabilities in the one year time frame was 101%, unchanged from year end 1991, and compares to 90% at the end of the 1991 first quarter.

SUPERVISORY ACTIONS

The Board of Directors of Sunwest Financial Services, Inc., in July 1990, adopted Board Resolutions which responded to the concerns expressed as a result of the Bank Holding Company inspection by the Federal Reserve Bank of Kansas City which was completed in March 1990. The resolutions provide, among other things, that:

-Sunwest shall provide the Federal Reserve Bank of Kansas City with 15 days prior written notification of any proposed declaration of dividends on its common stock, which proposed dividend shall not be paid less than 30 days from the date of such notice. Each proposal shall include the source(s) of funds for the proposed dividend.

- Sunwest shall provide the Reserve Bank with 30 days prior written notification of any proposed dividend from any of

Sunwest's subsidiary banks. Each such proposal shall include the source(s) of funds for the proposed dividend, and the effect of such proposed dividend on the subsidiary bank capital.

- Sunwest shall not redeem any of its common stock without the prior written approval of the Reserve Bank.

- Sunwest shall not incur any additional debt, other than that authorized or approved by existing lines of credit, without 15 days prior written notification to the Reserve Bank.

The resolutions are not meant to remain in effect for an indefinite period and at least annually Sunwest's board of directors and Reserve Bank officials will review the need for the continuation of the resolutions.

The Company's lead bank, Sunwest Bank of Albuquerque, N.A.(the Bank), has a formal agreement with the Office of the Comptroller of the Currency, under which Sunwest Bank of Albuquerque, N.A. has agreed, among other things, not to declare or pay any dividend without prior notification to the District Administrator. The agreement also requires the Bank to take various actions regarding management, criticized assets, loan administration, loan review and allowance for loan and lease losses. The provisions of the agreement are to remain in effect unless or until the provisions are amended by mutual consent of both parties or excepted, waived, or terminated by the Comptroller.

Sunwest Bank of El Paso (the El Paso Bank) is operating under a Notice of Determination (Notice) with the Banking Commissioner for the State of Texas (Commissioner) and the Regional Director of the Federal Deposit Insurance Corporation (Regional Director) for improving the financial condition of the El Paso Bank. The El Paso Bank, among other things, will not declare or pay dividends without prior written consent of the Commissioner and the Regional Director. Additionally, the Notice requires the EL Paso Bank and the its Board of Directors to take various measures to improve loan administration, the level of criticized assets, capital adequacy and the maintenance of an adequate allowance for loan losses. The Notice will remain in effect until it is determined by the Commissioner and the Regional Director that all of the requirements of the Notice are met and the Notice is terminated in writing by the Commissioner and the Regional Director.

Summary of Net Interest Income

TABLE 1

(In millions)	Quarter Ended March 31, 1992	1991
Average loans	$1,596.1	$1,683.1
Average earning assets	3,051.9	2,994.7
Average core deposits	2,590.1	2,395.1
Average purchased funds	490.5	625.8
Net interest income [FTE]	35.06	31.14
Net interest margin	4.60%	4.14%

Summary of Allowance for Loan Losses

TABLE 2

March 31 (in thousands)	1992	1991
Balance, beginning of year	$49,038	$48,930
Loans charged off	(5,410)	(10,121)
Recoveries on loans previously charged off	1,002	779
Net charge-offs	(4,408)	(9,342)
Provision charged to expense	6,075	5,492
Balance, end of period	$50,705	$45,080
Reserve at end of period:		
Loan reserve as % of net loans	3.15%	2.76%
Loan reserve as % of of nonperforming loans	78.39%	97.37%
Net charge-offs as % of average loans	1.10%	2.22%

Summary of Nonperforming assets

TABLE 3

(In thousands)	March 31, 1992	December 31, 1991	March 31, 1991
Nonaccrual	$58,389	$57,516	$37,943
Restructured	1,121	1,135	1,806
Past due 90 days or more	5,177	6,143	6,551
Total nonperforming loans	64,687	64,794	46,300
Foreclosed property	50,640	53,370	74,822
Total nonperforming assets	$115,327	$118,164	$121,122
Nonperforming loans as % of total loans	4.02%	4.03%	2.84%
Nonperforming assets as % of total loans and foreclosed property	6.94%	7.12%	7.10%
Nonperforming assets as % of total assets	3.42%	3.47%	3.68%
Loan reserve as % of nonperforming loans	78.39%	75.68%	97.37%

Summary of Loan Portfolio

TABLE 4

(In thousands)	March 31, 1992	December 31, 1991	March 31, 1991
Commercial	$394,750	$408,637	$447,765
Real estate mortgage	795,046	785,421	786,015
Real estate construction	64,970	68,304	63,746
Consumer	379,091	369,695	362,086
Lease financing	5,425	4,290	3,227
Total loans	1,639,282	1,636,347	1,662,839
Less unearned income	(28,777)	(29,571)	(31,026)
Total net loans	$1,610,505	$1,606,776	$1,631,813

Composition of Loan Portfolio

TABLE 5

(in millions)	March 31, 1992 Amount	% of total loans	December 31, 1991 Amount	% of total loans	March 31, 1991 Amount	% of total loans
Real estate:						
1–4 family residential	$354.3	21.6	$347.8	21.3	$336.8	20.3
Real estate construction	64.8	3.9	68.3	4.2	63.7	3.8
Farmland	61.8	3.8	48.7	3.0	54.0	3.2
Commercial real estate	379.1	23.1	388.9	23.7	395.2	23.8
Total real estate	860.0	52.4	853.7	52.2	849.7	51.1
Commercial loans	359.9	22.0	365.2	22.3	416.3	25.0
Agriculture	36.4	2.2	43.4	2.7	31.5	1.9
Consumer:						
Home equity	9.1	0.6	9.9	0.6	9.5	0.6
Credit card	92.0	5.6	94.7	5.8	80.0	4.8
Installment	278.0	16.9	265.1	16.1	272.6	16.4
Total consumer	379.1	23.1	369.7	22.5	362.1	21.8
Lease financing	5.4	0.3	4.3	0.3	3.2	0.2
Total loans	$1,640.8	100.0	$1,636.3	100.0	$1,662.8	100.0

Capital Structure

TABLE 5

(in thousands)	March 31, 1992	December 31, 1991	March 31, 1991
Total capitalization	$222,761	$218,399	$206,940
Tangible equity	$213,461	$208,910	$196,884
Ratios			
Equity/assets	6.60%	6.41%	6.28%
Tangible equity/assets	6.34%	6.15%	5.99%

Risk–Based Capital

TABLE 7

1992 standards March 31 (in millions)	1992	1991
Tier I capital:		
Stockholders' equity	$222,761	$206,940
Less: goodwill	(9,320)	(10,056)
Total Tier I	213,441	196,884
Tier II capital:		
Allowable reserve for loan losses	23,202	27,191
Total Tier II	23,202	27,191
Total capital	$236,643	$224,075
Risk–based capital ratios:		
Tier I	11.73%	9.17%
Total	13.01%	10.43%
Risk–adjusted assets	$1,819,349	2,147,357

No adjustments have been made and, in the opinion of management, no adjustments are necessary, to present fair financial information for either registrant or subsidiary banks.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable

Item 2. Changes in Securities

Not applicable

Item 3. Default upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

The Company filed the following reports on Form 8-K during the first quarter of 1991:

(1) March 2, 1992, under Item 5, containing the News Release of February 27, 1992, announcing that the Company was considering business combination proposals from several parties

(2) March 11, 1992, under Item 5 and Item 7, containing the News Release and other information filed as exhibits regarding the announcement that the Company had signed a merger agreement with Boatmen's Bancshares, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUNWEST FINANCIAL SERVICES INC.
(Registrant)

Ike Kalangis, President and
Chief Executive Officer

Timothy A. Marquardt, Senior
Vice President and Chief
Financial Officer

May 11, 1992